

HAROLD R. LEEDS

IBLA 82-69

Decided December 23, 1981

Appeal from the decision of the Wyoming State Office, Bureau of Land Management, rejecting the high bid for competitive oil and gas lease, W 77088.

Affirmed.

1. Oil and Gas Leases: Competitive Leases -- Oil and Gas Leases: Discretion to Lease

The Secretary of the Interior has the authority to reject a high bid in a competitive oil and gas lease sale where the record discloses a rational basis for the conclusion that the amount of the bid was inadequate.

2. Oil and Gas Leases: Generally -- Oil and Gas Leases: Competitive Leases

The Geological Survey is the Secretary's technical expert in matters concerning geologic evaluation of tracts of land offered at a sale of competitive oil and gas leases and the Secretary is entitled to rely on its reasoned analysis.

APPEARANCES: Harold R. Leeds, pro se.

OPINION BY ADMINISTRATIVE JUDGE HENRIQUES

Harold R. Leeds has appealed from the decision of the Wyoming State Office, Bureau of Land Management (BLM), dated October 7, 1981, rejecting his high competitive oil and gas lease bid, W 77088, for parcel 20 at the September 16, 1981, lease sale. Parcel 20 consists of the NE 1/4 SE 1/4 sec. 33, T. 44 N., R. 64 W., sixth principal meridian, Weston County, Wyoming, in the Clareton oil and gas field. Appellant's total high bid for the 40 acres was \$85.20.

As basis for the rejection, BLM indicated that the Geological Survey (Survey) had recommended that the bid be rejected as inadequate and quoted from the Survey report as follows:

Tract #20 (in the Clareton Field) has some positive geological possibilities. It has a depleted plugged and abandoned well which formerly produced 39 barrels of oil per day. Almost directly north is a producer making 14 BO/D about 4500 ft. from tract 20. At 3500 ft. from tract 20 is another producer, to the southeast. Within a mile southeast there are four more producers. . . . and this office considers the mineral value of tract #20 to be much higher than \$2 per acre.

Survey also noted that the Clareton field was about 60 percent depleted. The report states as well that appellant's bid would not even cover the engineering and administrative costs of BLM and Survey to process the lease if issued.

In his statement of reasons, appellant argues that (1) a former operator of a depleted well on the tract abandoned the well because he did not feel the tract had further commercial potential, (2) the well producing 14 barrels of oil per day "is not commercial at depth of producing formation" which "does not encourage additional prospecting on parcel No. 20 at today's drilling costs," (3) the producing wells in the vicinity of parcel 20 are too far away to benefit it for secondary recovery operation, (4) other people in the oil business who are familiar with parcel 20 would have bid if it were worth more than his high bid, and (5) the chances of the tract ever having commercial possibilities are remote, but he is willing to gamble.

[1] The Secretary of the Interior has discretionary authority to reject a high bid for a competitive oil and gas lease as inadequate. 30 U.S.C. § 226(b) (1976); 43 CFR 3120.3-1. This Board has consistently upheld that authority so long as there is a rational basis for the conclusion that the highest bid does not represent a fair market value for the parcel. Harry Ptasynski, 48 IBLA 246 (1980); B. D. Price, 40 IBLA 85 (1979); Frances J. Richmond, 29 IBLA 137 (1977). Departmental policy in the administration of its competitive leasing program is to seek the return of fair market value for the grant of leases and the Secretary reserves the right to reject a bid which will not provide a fair return. Coquina Oil Corp., 29 IBLA 310, 311 (1977). See Exxon Co., U.S.A., 15 IBLA 345, 357-58 (1974).

[2] Survey is the Secretary's technical expert in matters concerning geologic evaluation of tracts of land offered at a sale of competitive oil and gas leases and the Secretary is entitled to rely on the Survey's reasoned analysis. Gerald S. Ostrowski, 34 IBLA 254 (1978);

Coquina Oil Corp., *supra*; Arkla Exploration Co., 25 IBLA 220 (1976). When BLM relies on that analysis in rejecting a bid as inadequate, it must ensure that a reasoned explanation is provided for the record to support the decision. Southern Union Exploration Co., 41 IBLA 81, 83 (1979). Survey's memorandum provides such explanation. Appellant's arguments on appeal represent his evaluation of the fair market value of the parcel, but do not present definitive evidence which overcomes Survey's recommendation. As noted, the Secretary is entitled to rely on Survey's assessment of fair market value so long as it is rationally based.

Accordingly, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision of the Wyoming State Office is affirmed.

Douglas E. Henriques
Administrative Judge

We concur:

C. Randall Grant, Jr.
Administrative Judge

Edward W. Stuebing
Administrative Judge

